

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM: EA/ExDir
7D55 HQS

NO.

STAT

DATE

TO: (Officer designation, room number, and building)

DATE

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. D DCI

RECEIVED

FORWARDED

FYI: The attached summarizes DDI's follow-up on suggestion (see ref) on acquiring data on Soviet companies in the West.

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26 May

28 MAY 1982

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*ADCT
memo*

18 March 1982

MEMORANDUM FOR: Director of Central Intelligence

FROM:

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SUBJECT: COMECON, Inc.--The Proliferation of Soviet and Soviet Bloc Commercial Entities

1. Back in 1976, the Soviet Union owned about 70 companies in the industrialized world, including banks, insurance companies, equipment leasing firms, trading agencies, and shipping lines.

At about this time, CIA ceased to track the Soviet conglomerate, due apparently to a shortage of manpower and a general lack of interest.

2. The Soviet Union has continued to form companies, and the Eastern European satellites have been forming companies of their own. Today there are at least 544 COMECON companies throughout the world, of which 359 are in the industrialized world and 185 are in the developing world.

These companies fit into three broad categories:

- a. Companies that market or manufacture based on COMECON products, components, and technologies.
- b. Companies that extract and/or process raw materials.
- c. Companies that provide financial, transport, technical or consumer services.

3. The thrust of COMECON activity in the industrialized world is marketing. The Russians and their satellites hope to earn more hard currency by doing more business in the West.

4. The original thrust of COMECON activity in the developing world was access to raw materials. This remains a key thrust, but two additional goals have emerged:

- a. Access to low-cost labor. Poland set up a textile plant in Iran in 1975, equipped it with Polish machinery and scheduled 80 percent of the output for export to Poland. A Hungarian textile plant under construction in Greece, in 1979, envisaged re-export of all production back to Hungary.

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b. A new market for COMECON industrial equipment and technology.
By undercutting Western prices, the Soviets and the satellites are developing another source of hard currency. The quality of this equipment is not as good as Western equipment, but it's satisfactory to many Third World customers.

5. Soviet commercial activity goes beyond the companies the USSR owns. More than half of Moscow's total economic aid to developing countries has been allocated to minerals and metals development. In 1980 alone, the Soviet Union exported about \$40 million worth of prospecting equipment to developing countries under assorted aid and commercial agreements and dispatched 4,000 to 5,000 Russian technical personnel for survey work--fully one-fourth of all Soviet nonmilitary technicians abroad.

In recent years, the Soviet Union has signed dozens of technical agreements with developing countries that provide for the export of raw materials in exchange for financial and technical assistance. For instance, phosphates in Morocco are being mined with the help of \$20 million from the Soviet Union in the form of credits and technical assistance.

6. The best work on this whole subject is being done by a group at Carleton University in Ottawa. Their "Directory of Soviet and East European Companies in the West" is the only directory of its kind, and a copy of the most recent edition is attached. The next edition will be expanded to include COMECON companies in the developing world.

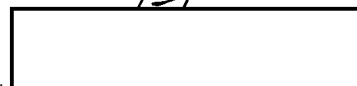
7. CIA does not now have in hand sufficient intelligence to produce a product alerting the policy community to the growing size of COMECON Inc., and to its present or potential significance.

-- We don't have a current listing of companies in the industrialized world, and we have no listing of companies in the developing world.

-- Our understanding of what these companies do, and of how they work, is sketchy.

8. I recommend we move fast to get the intelligence we need to produce such a product. Based on what we find, we'll know how closely COMECON commercial activities need to be watched.

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Attachment:
Directory of Soviet & East European Companies